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OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST OF SIGNIFICANT TRAFFIC

MAR 20 1951

Date: _____

NOTE:

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2. Comment represents the preliminary views of the responsible analysts and not necessarily the final view of the Office of Current Intelligence.
3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"C" USSR. Stalin Reported to "Pledge Aid to Korea". According to a Reuter's dispatch from Tokyo, Radio Pyongyang claimed that Stalin sent a message to Kim Il Sung, pledging that the "Russian people will support in all ways possible N. Korean efforts against 'imperialist aggression.'" (U NYT, 20 Mar 51). COMMENT: As far as is known, the only recent message from Stalin to Kim was the formal greeting (17 Mar) on occasion of the second anniversary of the USSR-N. Korean economic and cultural agreement. This message extended "warmest congratulation to the people and the Govt of Korea" and briefly expressed a wish for the "success for the Korean people in their righteous struggle for the liberation of their Fatherland."

"A" Rising Soviet Exploitation of Unsettled Conditions in Iran May Presage New Efforts to Reopen Issue of Oil Concessions. Openly showing its close interest in the recent developments in Iran, the Soviet Union broke its silence on the subject of Premier Razmara's assassination to give unusual prominence to a PRAVDA editorial charging the assassination was carried out by "people closely connected with American influence" in Iran. Similar propaganda efforts to incite further anti-Western sentiments in Iran, have currently been heightened over the clandestine Azerbaijan radio, while the Tudeh is apparently combining with the nationalist and religious groups to exploit the present demand for the oil nationalization to the maximum. Meanwhile factual press reports in the USSR on the steps taken by the Majlis to nationalize the oil, shows further the importance the USSR attaches to Iranian developments. (FBID, 19 Mar 51; NYT UP 16 Mar 51). COMMENT: Earlier this winter there were reports that the USSR was perhaps preparing the ground at USSR-Iranian trade and financial talks to reopen the issue of oil concessions when a favorable opportunity should present itself. A Soviet counter-claim presented at that time to the Iranians was thought possibly to represent an effort to remind the Iranian Government that the USSR was in a position to supplant the Anglo-Iranian Oil Company. The recent trend of events and indications that the USSR is carefully working the oil developments, suggest the distinct possibility of renewed Soviet efforts to gain a measure of control in the oil fields. A new estimate

expresses concern that a means the USSR may employ to gain some measure of control is through Tudeh party efforts to influence other elements who demand nationalization to agree to bring in Soviet technicians as advisors to the nationalized oil industry. the Iranians realize they would not be capable of running the industry on their own, and hence the USSR might be invited to assist.

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"B" EASTERN EUROPE. BULGARIA. Soviet Naval Base in Bulgaria Reported.

[REDACTED] a new naval base (called Chaika) is under construction two miles northeast of Varna. The area is reported to be guarded by Soviet guards and, except for workers who carry special passes, is restricted to Soviet officers. The bulk of the work being done is reportedly on submarine pens and a sea plane base. [REDACTED] there is no connection between Chaika and the Bulgarian base at Lake Devna.

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"B" Bulgaria Protests Yugoslav Violations. Following two months of comparative quiet in the official diplomatic interchange with Yugoslavia, the Bulgarian government has presented two notes of protest alleging Yugoslav violations of international law. One note states that on 8 March a plane from Yugoslavia flew over Bulgarian territory for 28 minutes, descending to a height of 500 meters near Kyustendil; the second note charges that Yugoslav authorities on 3 March detained, beat, and searched a Bulgarian diplomatic courier at the Belgrade airport, and confiscated official documents in his possession. (R FBIB, 19 Mar 51).

"C" POLAND. Measures Adopted to Reduce Defections of Officials in West. As a means to reduce the defections of Polish officials in Embassies and Consulates in Western countries, the Government is reported to have adopted a system of making them return to Poland with service tasks and then detaining them. A recent example is the reported arrest and seizure of the Vice-Consul in Antwerp, Leon Radzikowski, who recently returned to Poland on home leave. As he was about to board the plane to return to Antwerp, Radzikowski was arrested and jailed by the Security Police. (S Rome

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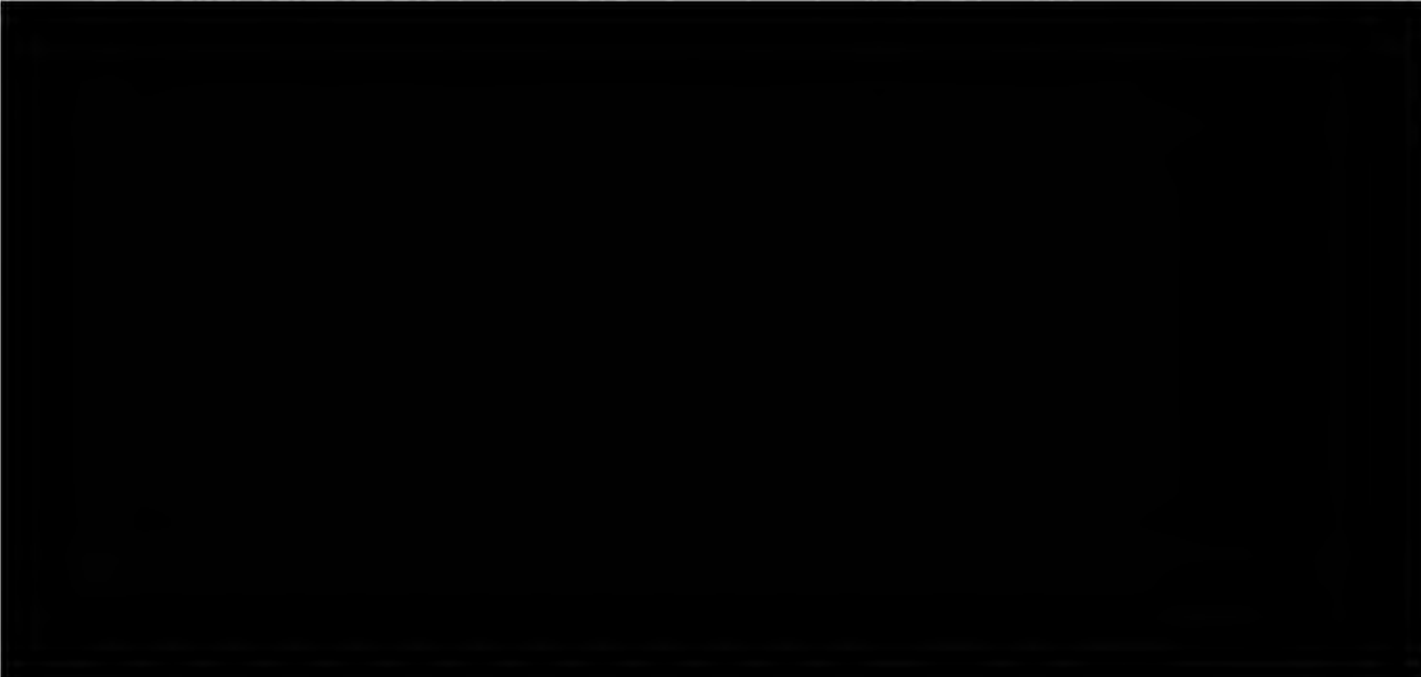
[REDACTED] COMMENT:
This method has been employed before and the effect has been to instill

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• so much fear among Polish officials abroad that a summons to Warsaw often leads to defection. In this respect the measure has been somewhat self-defeating. Another aspect of the Government's efforts to reduce defections by officials in Western countries was the decision last summer to retain in Poland a percentage of the pay of officials serving in the West.

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SECTION 2 (EASTERN)

"B" ARAB STATES. Initial Arab Reaction to Events in Iran. Recent moves by the Iranian Government to nationalize the oil industry have caused repercussions in several Arab States. In Egypt, according to US Ambassador Caffery, top officials are concerned that events in Tehran will furnish a bad example to irresponsible groups in Egypt. Egyptian press reports indicate that a group of Egyptian deputies may soon propose the nationalization of the Suez Canal Company, and Caffery adds that some inflammatory talk has been heard about forcing the British out of the Suez area. From Iraq US Ambassador Crocker warns that, if nationalization is effected in Tehran, elements in Iraq clamoring for similar action will be greatly strengthened. A London press report states that Iraq is planning to bring pressure on foreign oil concessions for an increase in the oil royalties. Meanwhile the Saudi Arabian Foreign Minister, Prince Feisal al-Saud, allegedly stated in a radio interview recently that the current situation in Iran would have no effect on the oil industry of Saudi Arabia, at least for the time being. (S Cairo 961, 19 Mar 51; S Baghdad 541, 17 Mar 51; U NY TIMES, London 19 Mar 51). COMMENT: Nationalist sentiment in the Arab countries will certainly be encouraged by recent developments in Iran. In Egypt, where Arab reactions to the Moroccan crisis are diminishing, there is again the danger that popular demands for forcing the British out of Egypt and the Sudan will reappear, offering an additional hazard to the limited progress being made in secret on the Anglo-Egyptian treaty issue. Though nationalization of the oil industry in Iraq does not seem likely at the present time, the prospect is good that Iraq will obtain an increase in oil royalties. Saudi Arabia's current indifference to events in Iran results from the generous profit-sharing agreement recently concluded between the Saudi Arabian Government and the Arabian-American Oil Company (ARAMCO).

"B" IRAN. Martial Law Imposed in Tehran. The Shah has decreed martial law in Tehran and has named General Abdul Hossein Hejazi, the commander of the military college as Military Governor. The decree issued 20 March follows by one day the attempted assassination of former Minister of Education Zanganeh who is currently Dean of Law at Tehran University. Police assert that Zanganeh who was shot in the back by a Moslem divinity student named Abdul Hossein Qumi was reportedly shot because he would not permit Qumi to enter law school after he failed his examination. Zanganeh, however, had previously roused the animosity of students at the university whose demonstrations he suppressed. His condition is fair. (U Tehran 2110, 19 Mar 51; U Tehran (AP) 20 Mar 51). COMMENT: The declaration of martial law should do much to settle conditions in Iran where an atmosphere of fear and tension has been created by 1) the political vacuum left by Razmara's death, 2) current tension over the nationalization of Iran's oil resources, and 3) general apprehensiveness over the terrorist methods

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employed by the National Front, generally considered to have been connected with Razmara's assassination. Although the country has been quiet in general, public demonstrations in favor of nationalization have continued, despite police orders banning such demonstrations without prior license. While the Communists do not seem to have been implicated in either the assassination of Razmara or the attempt on Zanganeh's life, they have been active in instigating some of the demonstrations in favor of nationalization. Moreover they have recently begun to exploit the situation openly by propaganda broadcasts aimed at implicating the US in Razmara's death and at further inciting anti-Western sentiments.

"A" BURMA. World Peace Congress Actions. At a recent meeting in Rangoon, the World Peace Congress (Burma) demanded the withdrawal of foreign troops from Korea and Fromosa, objected to the rearming of Japan and Germany, objected to efforts to prevent the overthrow of "colonialism," denounced armed aggression and opposed the UN decision branding Communist China an aggressor. Embassy Rangoon comments that the WPC(B) appears more than ever to be under the influence of the Chinese Communist Embassy. (C Rangoon 636, 17 Mar 51). COMMENT: The WPC(B) was originally organized by pro-Communist Burmans to collect signatures for the Stockholm "Peace Appeal" and act as the local organization of the World Peace Partisans. The same Burmans subsequently formed the pro-Communist Burma Workers and Peasants Party, which has maintained close liaison with the Chinese Communist Embassy.

"B" Chinese Riots in North. A USIS officer reports serious riots between Cantonese and Yunnanese in the north Burma town of Myitkyina during early March. The reason for this friction is reported to be the recent heavy influx of Yunnanese refugees fleeing Communist oppression which has upset the balance between the two groups. Burmese officials, who cannot cope with the refugee problem, are fearful for law and order and concerned lest trouble with China ensue. (C Rangoon 636, 17 Mar 51). COMMENT: Burmese fears are well-founded: the uncontrolled movement of Yunnanese "refugees" into Northern Burma is, in itself, clear demonstration of the ease with which Chinese Communists infiltration of that area can occur.

"B" INDONESIA. East Java unrest continues. US Consulate Surabaya reports that the present security situation in East Java is worse than at any time in the past 14 months. Although the Dutch continue to be the main target of a wave of robbery and murder, anti-white sentiment generally appears to have increased. An attack by eight armed men upon the home of the Dutch Commissioner for East Java and two more murders of Dutch citizens have occurred within the past three days. Indonesian officials, both civil and military, confess that they are impotent to check such attacks. (C Surabaya 79, 18 Mar 51); 80, 82, 19 Mar 51). COMMENT: Although martial law exists in East Java, Indonesian army control there is the weakest in the archipelago. Military authorities have been promising "sweeps" for weeks, but none has materialized.

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"A" CHINA. Military training on Hainan Island. [REDACTED]

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[REDACTED] intensive naval, submarine and paratrooper training activities on Hainan. With Soviet assistance the Chinese Communists, in December 1950 and early January 1951, [REDACTED] established three naval training centers, at Yulin, Linkao and Chiungshan. 4,600 marines and naval cadets are reportedly undergoing training at these centers, and 400 of these trainees are said to be Viet Minh. On 14 March 1951, 520 graduates were transferred to Kwangtung and Fukien coastal areas. [REDACTED] ten Soviets arrived at Yulin in February 1951 to take charge of the paratrooper and submarine schools there. [REDACTED]

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[REDACTED] Hainan is being used as a base for all of the reported activities, but that MND reports greatly exaggerate the degree of such activity. [REDACTED]

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"C" Peiping warns UK on tanker question. On 16 March, the Chinese Communist Minister of Communications declared that the ex-Japanese tanker YUNG HAO, held by the Nationalists after the war's end is the property of the Chinese People's Government and that British authorities would be held accountable for any interference with her freedom of movement and for her safety while in Hong Kong waters. The Hong Kong Government held an emergency cabinet meeting to discuss the warning. (S Hong Kong 2675, 12 Mar 51). COMMENT: The YUNG HAO, manned by a Chinese Communist crew, had previously made an attempt to leave Hong Kong and was detained by British authorities for failure to comply with clearance requirements. A nominal fine was paid and the Hong Kong Government sees no legal basis for detaining the vessel indefinitely.

"A" KOREA. Night attack on B-29. A US B-29, on a night harassing mission over northwestern Korea on 17 March, was attacked at 16,000 feet by 3 to 5 unidentified fighter aircraft. Initial contact was made northwest of Pyongyang at midnight, and the fighters aggressively pressed a running attack nearly to the 38th Parallel. (S FEAF #AX 5062, 19 Mar 51). COMMENT: Although information regarding weather and illumination is lacking, this attack appears to indicate a hitherto unreported enemy utilization of night-fighter radar or ground-control led interception, or both. While the possibility exists that the encounter was by chance, an enemy ability to engage in night interception attempts is suggestive of a high level of technical competence formerly unobserved.

"B" Recommendations for controlling ROK inflation. US Ambassador Muccio on 20 March recommended that all interested agencies assist in developing a program of economic controls for the ROK in order to combat mounting inflation, which has reached the critical stage. Muccio suggested 1) the ECA "counterpart" fund should be applied to reduce the ROK overdraft

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with the Central Bank, 2) currency advanced by the ROK to the UN financial office for the use of UN military be liquidated, 3) US currency collected be applied to the purchase of relief goods, and 4) UNKRA should dispatch practical experts in the field of monetary policy, budget and taxation. (S Pusan 812, 20 Mar 51). COMMENT: Very rigid controls will have to be applied - and Korean fiscal authorities will have to be educated - before ruinous inflation is halted in the ROK.

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SECTION 3 (WESTERN)

"B" GERMANY. Berlin Traffic Situation. Although the east German authorities are now permitting the passage through the Soviet Zone of US military passenger trains to Berlin (after having refused last week to provide a locomotive for one of them), US authorities in Berlin believe that the Soviets are maneuvering to prevent the alternate transportation to Berlin by rail of coal held at canal locks. East German rail officials have notified their west German counterparts that the 45 extra trains agreed upon to move the backlog of coal are no longer "acceptable". The east Germans are also excluding from the normal permissible traffic the two German inter-zonal passenger trains a day, and they declare that no Allied military train arriving more than 10 minutes late at the Soviet Zone border will be accepted. Meanwhile, however, west Berliners are convinced that the Allied blockade of the east German barge traffic through Berlin (in retaliation for Soviet harassment of Western barge traffic) is beginning to be effective; they feel that the East stands to lose much more than the West, especially economically, by interference with East-West traffic, and believe that the Soviet authorities are anxious to negotiate the waterways question. (S Berlin 1167, 17 Mar 51; S Berlin 1168, 18 Mar 51). COMMENT: In contrast to Soviet vulnerability to retaliatory measures in water traffic, Soviet Zone rail traffic is not easily susceptible to Western counter measures.

"B" FRANCE. Paris Transport Strike Spreads. Despite the return to work by a substantial number of Paris bus and subway workers, the strike movement spread yesterday to utilities, taxis, and suburban railways. The Government will today discuss counter-action including possible legal means of forcing a resumption of work. The French Communist Party (PCF) Politburo is reported to have planned a "cascade of strikes" in support of the Paris transport stoppage. Non-Communist union leaders do not feel that workers are prepared for long and bitter strikes, but believe that price rises and the hesitancy of management and the Government in making cost-of-living adjustments may materially benefit PCF candidates in the coming elections. (C Paris 5500, 17 Mar 51; U New York Times, 20 Mar 51). COMMENT: The growing rank-and-file agitation for wage increases forced the non-Communist unions' unity of action with the Communist-led General Labor Confederation (CGT) in the Paris transport strike. However, the deep-seated antipathies among the major unions preclude successful Communist exploitation of labor unrest unless the Government's economic program fails. Meanwhile, although union resources are generally insufficient for protracted individual work stoppages, "rotating strikes" over an extended period--which

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proved effective in 1948--could seriously aggravate the Government's difficulties by impeding arms production and contributing to the inflation.

"B" FRANCE-VIETNAM. New French Government Unlikely to Alter Indochina Policy. French policy in regard to Indochina is not expected to change as a result of the Paris Cabinet reshuffle, and the Queuille Government will probably announce today that 15,000 additional troops are to be sent from France to Indochina in answer to General De Lattre's request. Although the French Government did take a hand in the recent Vietnamese Cabinet crisis, the French are unlikely to interfere between Bao Dai and Premier Huu unless their struggle for internal power in Vietnam threatens to impede seriously French efforts in Indochina. (S Paris 5476, 16 Mar 51; U New York Times, 20 Mar 51). COMMENT: In spite of disillusionment at the reluctance of capable Vietnamese to accept responsibility, high Government officials have repeatedly evidenced a sincere desire to implement the March 1949 accords and the Pau agreement as fast as practicable. The reported decision to strengthen French forces in Indochina would be a personal triumph for De Lattre over officials like Defense Minister Moch, who emphasize the defense of metropolitan France against Soviet attack.

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"B" ITALY. Plans Crystallizing for Unified Democratic Socialist Party.

[REDACTED] the new socialist group resulting from the projected unification of his party with the Socialist Party of Italian Workers (PSLI) is to be called the United Socialist Party. [REDACTED] new group may eventually include the defectionist Communist parliamentarians, Magnani and Cucchi, and their following. Although it will be an opposition group outside the Cabinet, the new party will seek to be constructive in its criticism of government policies; and the first regular congress, to be held one year after unification, will review the question of whether it should rejoin the Government.

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COMMENT: In view of the current dissension within both the Christian Democratic and the Communist parties, there is a good possibility that a strong united Socialist party including the following of Magnani and Cucchi can develop between the two groups, even in spite of: (1) Premier De Gasperi's attempts to keep the PSLI in the Cabinet and prevent unification of the two democratic socialist groups; (2) minority opposition within the PSLI to unification with PSU; (3) resentment of the PSU-sponsored labor organization over being rejected as the labor instrument of the new group; and (4) the present anti-NATO stand of Magnani and Cucchi in the face of a resolution in its favor by representatives of the projected party.

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"B" ITALY. Prestige of Socialist-sponsored Union will be Increased by its Move for Labor Unity of Action. In another attempt to achieve labor unity of action, the Italian Labor Union (UIL), labor organization of the anti-Communist Unitary Socialists, has proposed that the Communist-dominated General Labor Confederation (CGIL) and the Confederation of Workers Trade Unions (CISL), composed of Christian Democrats, Republicans and Saragat Socialists, meet with it to establish a common position regarding the crisis in the metallurgical industry. The proposal has been accepted by the CGIL but rejected by the CISL, which points to the Communists' use of similar moves in the past for political purposes. The Communists have bitterly criticized CISL's refusal, at the same time reiterating the need for reestablishing the unity of all workers. (S Rome Joint Weeka #11, 16 Mar 51). COMMENT: The proposal of the UIL and the refusal of the CISL to cooperate will (1) increase the appeal of the rapidly-growing UIL to organized and unorganized non-Communist workers and (2) reduce CISL's prestige among these workers.

25X1A "B" SPAIN. Government Concern over Barcelona Situation. In the face of continued tension in Barcelona and persistent rumors of further disorders, the Government on 17 March softened somewhat the harsh penalties it had imposed on participants in the 12 March general strike. According to earlier reports, the regime was deeply worried by the Barcelona situation, despite assurances by the Interior Minister that the disturbances could be easily suppressed. [REDACTED] U New York Times, 19 Mar 51). COMMENT: The softening of penalties against the strikers and other possible ameliorative action by the regime may forestall further disorders in the immediate future; but, so long as no basic improvement is effected in the economic position of Spanish workers, the possibility of future outbreaks of popular dissatisfaction and violence remains. In fact, it is likely that this possibility will increase, as workers in other areas will be encouraged to act in a similar way by the relative success of the Barcelona strike.

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"C" Lead Shipment may go to Czechoslovakia. US Embassy Madrid reports that the SS ARION left Malaga on 9 March with 300 tons of Spanish lead consigned to a buyer in Antwerp. Financial details reportedly were worked out by the Liechtenstein banking firm Societe Financiere Economique Europeene, hence, the Embassy believes, the shipment (half ingots and half sheets) may be earmarked for transshipment to the Soviet bloc, presumably to Czechoslovakia. (S Madrid 796, 14 Mar 51). COMMENT: The Liechtenstein banking house is known to handle business transactions between Czechoslovakia and the West. The SS ARION recently delivered to Spain a cargo of 2,599 metric tons of ammonium sulphate, reputedly from east Germany. The US has tried

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repeatedly to get the Spanish Government to forestall such transactions but without success. Spanish export policy continues to be based on using surplus minerals to bargain for economic concessions from the US (See OOI Daily Digest, 27 Feb 51) or, in the case of less scarce materials such as led, selling them for the best price.

- "C" SOUTHERN RHODESIA. Reshuffling of Cabinet Due to Stringent Gasoline Rationing. In a recent reshuffling of the Cabinet brought about by public dissatisfaction with the Government's tightening of gasoline rationing, the Minister of Trade and Industrial Development lost his post. (U London Times, 13 Mar 51). COMMENT: Tightening of gasoline rationing was necessitated largely by the rapid growth of Southern Rhodesia's population and industrial development, combined with continuing inadequacy of rail transport. Construction of needed additions to the rail net of the Rhodesias is still in the blueprint-and-financing stage.
- "C" ARGENTINA. Foreign Minister Regrets Timing of Inter-American Meeting. Foreign Minister Paz has told US Charge in Buenos Aires that the time for holding the Inter-American Meeting of Foreign Ministers could not be more unfavorable. He is, however, proceeding to Washington in the expectation and hopes that he can promote Argentine collaboration with the US despite present tensions--referring indirectly to the La Prensa affair. He stated further that within the small freedom of action allowed him he would support the US; but he realizes that with the present temper in Argentina his political future could only be secured by disruptive tactics and possibly withdrawing from the meeting--which he refuses to do. The Embassy comments that Paz' conversation resembled "a boy whistling as he approaches the graveyard" and that while Paz may hope to assist in decreasing present tensions, the final decision remains with the Peróns. (C B'aires 797, 19 Mar 51). COMMENT: The strain in US-Argentine relations resulting from the La Prensa affair and the Peróns' personal anger over the situation may make Perón feel compelled to take an obstructionist position at the Inter-American Meeting of Foreign Ministers. Being forced into such a position may add to his personal pique, because previously he held high hopes for Argentine benefits from such a meeting. Political face, which was a basic factor involved in the La Prensa incident, will probably govern Argentina's position at the meeting as well as Perón's future disposition of the La Prensa case.
- "C" CHILE. Possible Change in Desire to Aid UN Forces. Reportedly on 16 March Foreign Minister Walker--during a congressional committee meeting--expressed certain points of view to be presented by Chile at the Inter-American Meeting of Foreign Ministers. He pointed out that Chile will not offer troops or materiel for "any possible military action", but that in the case of aggression against "common interests"

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Chile will assume defense of its own territory. José Maza, President of the Senate Foreign Relations Committee, suggested that Chile will make it clear that no foreign cooperation in the defense of its territory will be accepted, particularly with respect to the patrol and custody of the Magellan Straits. (U Santiago 1414, 17 Mar 51). COMMENT: In September, a high Chilean government official stated to a US Embassy official that the Chilean cabinet had agreed that Chile must send forces of some kind to back the UN action in Korea. It was indicated that Chile was thinking of a ground force of 1,000 men. The Chilean official pointed out that Chile was not in a position financially to send troops or ships, but that the President was firmly convinced that it must be done in order to show his country's solidarity with other democratic nations. Considered in the light of the favorable stand taken by Chile in September, the 16 March statements of the Foreign Minister represent a retrenchment in position unfavorable to US interests. While it is believed that Chile will be generally cooperative with the US at the Inter-American Meeting of Foreign Ministers, the pronouncements by the Foreign Minister could tend to support certain elements offering resistance to US influence at the meeting.



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